

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 8093

BILL NUMBER: SB 473

DATE PREPARED: Feb 27, 2001

BILL AMENDED: Feb 26, 2001

SUBJECT: Service Areas of Electricity Suppliers.

FISCAL ANALYST: John Parkey

PHONE NUMBER: 232-9854

FUNDS AFFECTED:

GENERAL
X DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill modifies procedures that must be followed when a municipally owned electric utility seeks to change its assigned service area to include territory that has been annexed by the municipality. The bill provides that the municipally owned electric utility must pay additional severance damages to the incumbent electricity suppliers in the annexed area based on electricity sold to service accounts established in the annexed area during the five-year period beginning one year before the effective date of the annexation ordinance. The bill provides that the severance payments must continue for each service account for the five-year period beginning on the date the service account is established.

The bill requires the Indiana Utility Regulatory Commission (IURC) to determine and enforce payment of severance damages when the parties cannot agree on the amount of the damages. The bill requires the IURC to approve a change in the boundaries of the assigned service areas of electric utilities when the affected utilities mutually agree to the change, unless the IURC determines that the change would result in certain consequences.

Effective Date: July 1, 2001.

Explanation of State Expenditures: While the bill modifies the current procedures a municipal utility must follow when extending its service area into an annexed territory, the bill is not expected to have a significant impact on the number of Commission's proceedings or its administrative costs.

Explanation of State Revenues: *IURC Funding:* The Indiana Utility Regulatory Commission and the Office of the Utility Consumer Counselor are funded by public utilities through the Public Utility Fund. At the end of the fiscal year, if the total public utility fees in the Public Utility Fund plus the unspent balance of the Fund exceeds the total appropriations for the IURC and the OUCC (plus a \$250,0000 contingency fund), then the IURC must compute each utility's share of the excess. This share is then deducted from any subsequent payment of the utility's public utility fees. In FY 2000, public utility fines and fees generated \$8,053,986.

Explanation of Local Expenditures: *Municipally owned utilities:* This bill establishes additional severance damages that a municipal utility would be required to pay an incumbent utility in the event that a service area is expanded. The severance damages are based on any permanent accounts that the incumbent utility established during a five-year period beginning one year prior to the area being annexed by the municipality. These additional severance damages are calculated by assessing a fee of \$0.001 for each kilowatt hour of electricity billed the newly established accounts each month over a five-year period, beginning on the date in which the account was established. (The per kilowatt hour assessment is limited to 170,000 kilowatt hours per month, per customer). Municipal utilities would be required to pay these damages within 30 days after the year they are accrued.

Explanation of Local Revenues:

State Agencies Affected: Indiana Utility Regulatory Commission.

Local Agencies Affected: Municipally owned utilities.

Information Sources: